



Canadian Commercial Corporation

Quarterly Financial Report (Unaudited)

**For the three and nine month periods
ended December 31, 2011**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nature of Business and Operating Environment

In this current climate of global economic challenges and increased competition for Canadian exporters, the Canadian Commercial Corporation (CCC) has strategically positioned itself to play a leadership role in working as a Government of Canada partner with a broad spectrum of Canadian companies who are looking to access international defence markets, and international infrastructure markets in emerging and developing countries. The five business line strategy that CCC has developed is already proving its effectiveness through increased sales for Canadian exporters and a greater number of jobs for Canadians. These accomplishments are being achieved while managing the Corporation in a cost efficient manner.

Financial Highlights

CCC's year to date operations and comprehensive income for the period ending December 31, 2011 is a surplus of \$0.4 million, compared to a surplus of \$2.0 million reported for the same period ended December 31, 2010. The year-over-year net decrease of \$1.6 million, or 80%, is the result of revenues decreasing by \$0.5 million, in addition to total expenses increasing by \$1.1 million. The parliamentary appropriation remained virtually the same as compared to last year. The decrease in revenues resulted from decreases in fees for service of \$0.9 million, partially offset by an increase in other revenue of \$0.4 million. Almost the entire increase in total expenses relates to a fiscal year 2010-11 provision reversal. In fiscal 2010-11, CCC reversed a provision of \$1.0 million for contract remediation expenses that were recorded in prior years but successfully settled and determined not required. In fiscal year 2011-12, no such reversal occurred. Administrative expenditures remained virtually the same in fiscal years 2011-12 and 2010-11 for the years to date. CCC continues to make important investments to support its growth, however, administrative expenditures are incurred in a controlled manner, relative to revenues earned and respective of the spirit of the Government of Canada's cost containment measures set out in Budgets 2010 and 2011.

Third quarter results for fiscal years 2011-12 and 2010-11 were an operating deficit of \$0.4 million compared to an operating surplus of \$1.8 million, respectively. Total revenues and appropriation in the third quarter of fiscal years 2011-12 and 2010-11 were \$6.4 million and \$7.7 million, respectively, partially offset by total expenses of \$6.8 million and \$5.9 million, respectively.

A more detailed discussion of CCC's fiscal year 2011-12 financial highlights follows:

Statement of Comprehensive Income Discussion

Summary results

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	December 31 2011 (\$ Millions)	December 31 2010 (\$ Millions)	% Increase (Decrease)	December 31 2011 (\$ Millions)	December 31 2010 (\$ Millions)	% Increase (Decrease)
Revenues:						
Commercial trading transactions - prime contracts	\$ 661.6	\$ 457.2	45%	\$ 1,714.1	\$ 1,160.8	48%
Cost of commercial trading transactions - prime contracts	(\$ 661.6)	(\$ 457.2)	(45%)	(\$1,714.1)	(\$1,160.8)	48%
Fees for service	\$ 2.5	\$ 3.7	(32%)	\$ 8.1	\$ 9.0	(10%)
Other revenues	\$ 0.0	\$ 0.1	(100%)	\$ 0.7	\$ 0.3	133%
Total Revenues	\$ 2.5	\$ 3.8	(34%)	\$ 8.8	\$ 9.3	(5%)
Expenses:						
Administrative expenses	\$ 6.7	\$ 7.2	(7%)	\$ 19.9	\$ 20.0	(1%)
Contract remediation expenses	\$ 0.1	(\$ 1.3)	(108%)	\$ 0.1	(\$ 1.0)	(110%)
Total Expenses	\$ 6.8	\$ 5.9	15%	\$ 20.0	\$ 19.0	5%
International procurement services for government clients	\$ 20.9	\$ 32.4	(35%)	\$ 35.5	\$ 58.0	(39%)
Cost of international procurement services for government clients	(\$ 20.9)	(\$ 32.4)	(35%)	(\$ 35.5)	(\$ 58.0)	(39%)
Parliamentary appropriations	\$ 3.9	\$ 3.9	0%	\$ 11.6	\$ 11.7	(1%)
Net results of operations and comprehensive income	(\$ 0.4)	\$ 1.8	(122%)	\$ 0.4	\$ 2.0	(80%)

Revenues

Revenues consist of commercial trading transactions on prime contracts, fees for service, other income, net interest income, and gains (or an offset to revenues if a loss) on foreign exchange. It is important to note that revenues for commercial trading transactions on prime contracts are fully offset by the cost of commercial trading transactions on prime contracts. After offsetting the cost of commercial trading transactions, total revenues for the year to date were \$8.8 million as at December 31, 2011 compared to \$9.3 million reported in the same period ending December 31, 2010, a decrease of \$0.5 million, or approximately 5%. In the third quarter of fiscal year 2011-12 total revenues decreased compared to the third quarter of fiscal year 2010-11 at \$2.5 million and \$3.8 million, respectively.

Commercial trading transactions and Procurement services transactions for the year to date were cumulatively \$1,749.6 million as at December 31, 2011 compared to the \$1,218.8 million reported for the same period ending December 31, 2010, a \$530.8 million or 44% increase. In the third quarter of fiscal 2011-12 commercial trading transactions and Procurement services transactions of \$682.5 million were \$192.8 million, or 39%, higher than in the third quarter of fiscal 2010-11. The increase in both instances is due predominately to the accelerated production of Light-Armoured Vehicles (LAV) related to large US Department of Defense (DoD) Foreign Military Sales (FMS) and Marine Corp contracts.

CCC does not charge fees for its Defence Production Sharing Agreement (DPSA) business line transactions as these are funded through parliamentary appropriations. As at December 31, 2011, commercial trading transactions generated from DPSA activity (including sales of LAV's to the U.S. DoD) represent 87% (85% as at December 31, 2010) of the Corporation's total commercial trading

transactions. For all of its other business lines the Corporation charges fees, generally as a percentage of the contract value. Fees are recognized as revenue when goods and services are delivered. Fees for service for the year to date were \$8.1 million as at December 31, 2011 compared to \$9.0 million reported for the same period ending December 31, 2010, a 12% decrease. The third quarter of fiscal year 2011-12 fees for service of \$2.5 million were \$1.2 million, or 32%, lower than in the third quarter of fiscal year 2010-11. This occurred as there were not as many scheduled contracted milestones (on which fees are recognized) occurring in the third quarter of fiscal year 2011-12 compared to fiscal 2010-11 related to the Corporation's Ghana power generation project and the Norway aircraft wing replacement project.

Other revenue items that contributed to the year-over-year increase in revenues for the period ending December 31, 2011 are: (1) A \$0.2 million increase resulting from a foreign exchange gain due to the weakening of the Canadian dollar during the second quarter of fiscal year 2011-12 compared to its US dollar counterpart on U.S. cash balances (which are monitored closely and kept at nominal levels); and (2) A \$0.2 million increase in other income, as a result of fees earned on increased requests for early payment discounts by Canadian exporters related to the DPSA business line.

Expenses

Total expenses as at December 31, 2011 were \$20.0 million, \$1.0 million higher than the same period ending December 31, 2010. A decrease in administrative expenses of \$0.1 million was offset by a \$1.1 million increase in contract remediation expenses. As referred to in the Financial Highlights, during November 2010 the Corporation determined that a provision for contract remediation expenses was no longer required and therefore reversed \$1.0 million of the provision. For the current reporting year to date, Management has recorded a modest contract remediation expense of \$52,000. Administrative expenses are paid primarily in Canadian dollars and are not impacted by exchange fluctuations. Significant administrative expenses were:

- As at December 31, 2011, workforce compensation was \$11.6 million. This increased by \$0.3 million, or 3%, compared to the amount spent for the same nine month period last year. Workforce compensation was \$3.9 million in the third quarter of fiscal period 2011-12 compared to \$3.8 million in the third quarter of fiscal period 2010-11. The increase is due primarily to a combination of modest staff increases and annual salary increases. Workforce compensation accounted for 58% of CCC's administrative expenditures.
- PWGSC costs, for core contract management services under the DPSA, of \$3.2 million was \$0.1 million lower than the same nine month period last year.
- Rent and related expenses of \$1.7 million were \$0.2 million higher than the same period last year due to annual rent increases in accordance with the lease agreement and the acquisition of additional floor space to accommodate a planned increase in staff in accordance with CCC's initiative to in-source some of the work currently subcontracted to PWGSC as discussed in the 2011-12 Forecast section below.
- Travel expenses of \$0.9 million, were the same amount as of December 31 in fiscal years 2011-12 and 2010-11.
- Consultant expenses, to complement CCC's workforce and perform assignments requiring a specific expertise, of \$1.1 million in fiscal year 2011-12 were lower by \$0.1 million compared to fiscal year 2010-11, Consultant expenses are relatively consistent from quarter to quarter in both fiscal years.

- The amortization of property and equipment, intangible assets and leasehold improvement costs of \$0.5 million was the same amount in fiscal years 2011-12 and 2010-11 on a year to date basis and was expensed consistently from quarter to quarter in both fiscal years.
- Computer software, hardware and support costs, over and above the information management personnel included in workforce compensation or consultants of \$0.3 million, decreased by \$0.3 million, or 50%, compared to the same period of time last year. Computer software, hardware and support costs were \$0.1 million lower in the third quarter of fiscal period 2011-12 compared the third quarter of fiscal period 2010-11.
- Other expenses, including corporate communication costs (marketing, advertising, and the design and printing of corporate promotional material) telecommunications and bank charges, of \$0.5 million, were \$0.1 million lower in fiscal period 2011-12 compared to fiscal period 2010-11. The expenses were also consistent at \$0.2 million in the third quarter of both fiscal years 2011-12 and 2010-11.

For the year to date ending December 31, 2011, Management has recorded negligible contract remediation expenses of \$52,000 based on actual determined amounts. This is reflective of the Corporation's current portfolio of stable active projects and its robust risk management processes. Last year at this time, Management had recorded a recovery of \$1.0 million through the reversal of a provision as noted earlier.

Parliamentary Appropriations

The Corporation is to receive parliamentary appropriations of \$15.5 million in fiscal year 2011-12, virtually the same amount as in the previous year. The appropriation is drawn down in equal monthly instalments throughout the year.

Statement of Financial Position Discussion

Summary of financial position

	December 31 2011 (\$ Millions)	March 31 2011 (\$ Millions)	% Increase (Decrease)
Total assets	\$ 941.2	\$ 646.8	46%
Total liabilities	\$ 891.4	\$ 597.4	49%
Shareholder's Equity	\$ 49.8	\$ 49.4	1%

CCC's total assets were \$941.2 million as at December 31, 2011, \$294.4 million, or 46%, higher than at March 31, 2011. The increase is due predominantly to an increase in the amount of progress payments to Canadian exporters of \$212.4 million, representing a 94% increase compared to March 31, 2011 and accounting for 72% of the \$294.4 million overall increase in total assets. All other asset statement line items cumulatively reflect for a net increase of \$82.0 million from March 31, 2011.

CCC's total liabilities were \$891.4 million as at December 31, 2011, \$294.0 million, or 49%, higher than at March 31, 2011. The increase is due primarily to an increase in the amount of progress payments from foreign customers of \$212.1 million, representing a 93% increase compared to March 31, 2011 and accounting for 72% of the \$294.0 million overall increase in total liabilities. All other liability statement line items cumulatively reflect a net increase of \$81.9 million from March 31, 2011.

As an international trade intermediary, CCC offsets its trade-related assets with matching liabilities. Therefore, accounts receivable from foreign customers and progress payments to Canadian exporters are normally offset by accounts payable and accrued liabilities to Canadian exporters, and progress payments from foreign customers, respectively.

Accounts receivable of \$268.2 million (\$235.0 million at March 31, 2011), represent 28% (36% at March 31, 2011) of the total assets of \$941.2 million (\$646.8 million at March 31, 2011). Accounts payable and accrued liabilities of \$271.5 million (\$223.2 million at March 31, 2011), represent 30% (37% at March 31, 2011) of the total liabilities of \$891.4 million (\$597.4 million at March 31, 2011). Generally, the Corporation pays its Canadian exporters within 30 days of receipt of an invoice and substantiating documentation according to the terms of the contracts under its core DPSA program.

Progress payments to Canadian exporters of \$438.8 million (\$226.5 million at March 31, 2011), represent 47% (35% at March 31, 2011) of the total assets of \$941.2 million (\$646.8 million at March 31, 2011). Progress payments from foreign customers of \$441.6 million (\$229.4 million at March 31, 2011), represent 50% (38% at March 31, 2011) of the total liabilities of \$891.4 million (\$597.4 million at March 31, 2011).

Advances from foreign customers and advances to Canadian exporters increased by 24% and 26%, respectively, since March 31, 2011. Of the \$175.8 million (\$142.2 million at March 31, 2011) in advances from foreign customers, \$163.5 million (\$126.5 million as at March 31, 2011), or 93% (89% as at March 31, 2011), were related to ten projects in Ecuador, Norway, the Kingdom of Saudi Arabia, Peru and a few procurement services projects with of DFAIT and CIDA. Of these advances from foreign customers, a significant portion, \$132.2 million (\$103.2 million as at March 31, 2011), was passed on to Canadian exporters, accounting for 97% (96% as at March 31, 2011) of advances to Canadian exporters. Contractually, advances are not offered on the DPSA business line. For all other business lines, CCC's risk mitigation practices require that, for most projects, CCC hold back advance payments made by foreign customers and only release them to Canadian exporters as delivery obligations are fulfilled.

As at December 31, 2011, CCC's equity, fully ascribed to the Government of Canada, was \$49.8 million, an increase of \$0.4 million from March 31, 2011 as detailed in the Statement of Comprehensive Income Discussion. CCC's equity backstops the commercial risks inherent in its portfolio of undelivered contracts which totalled approximately \$3.6 billion at December 31, 2011. It is worth noting that, in 2009-10, CCC signed a significant contract with the US DoD FMS organization for the delivery of LAV's. The maximum potential value of this contract is \$2.2 billion of which \$717.3 million had been delivered as of December 31, 2011. The undelivered portion of this contract represents 42% of the Corporation's total undelivered commitments.

Statement of Cash Flows Discussion

Summary of cash flows

	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	December 31 2011 (\$ Millions)	December 31 2010 (\$ Millions)	% Increase (Decrease)	December 31 2011 (\$ Millions)	December 31 2010 (\$ Millions)	% Increase (Decrease)
Operating activities	\$ 27.0	\$ 73.8	(63%)	\$ 21.3	\$ 86.9	(75%)
Investing activities	(\$ 0.1)	\$ 0.0	(100%)	(\$ 0.1)	\$ 0.0	(100%)
Effect of exchange rate changes on cash and cash equivalents	(\$ 0.1)	(\$ 0.1)	0%	\$ 0.1	(\$ 0.1)	200%

Operating activities

As at December 31, 2011 of fiscal 2011-12, \$21.3 million in cash was provided from its operating activities, as compared to the \$86.9 million provided as at December 31, 2010 of fiscal 2010-11. This change is attributable to several factors as follows:

- As at December 31, 2011 of fiscal 2011-12, \$5.7 million in cash was provided from advance payments that were received from foreign governments and were being held pending achievement of delivery obligations per contract terms and conditions. The amount being held was \$21.3 million as at December 31, 2010 of fiscal year 2010-11. The year-over-year variation occurred in large part due to advances from a foreign customer (related to the Norway aircraft wing replacement project) in excess of \$15.0 million which were received during the third quarter of fiscal year 2010-11 but not passed onto the Canadian exporter until deliveries were made in fiscal year 2011-12.
- As at December 31, 2011 of fiscal 2011-12, \$15.2 million in cash was provided due to timing differences between the receipt of cash on CCC's accounts receivable and disbursements of cash for its accounts payable. On certain contracts, the Corporation only pays its Canadian exporters after it receives payment from the foreign customer. Depending on the timing of receipts compared to payments, the actual execution of these transactions often crosses reporting periods and can cause wide variations in cash flows from one period to the next. The timing difference amount was \$63.6 million as at December 31, 2010 of fiscal 2010-11. The year-over-year variation occurred entirely as a result of cash received from a foreign customer (related to the LAV projects) in excess of \$75.0 million on December 31, 2010 of fiscal year 2010-11 which was not paid until the fourth quarter.
- As at December 31, 2011 of fiscal year 2011-12, \$0.4 million in cash was provided by other operating activities.

Investing activities

As described in the Statement of Financial Position Discussion, the Corporation capitalized a negligible amount related to property, equipment or intangible assets during fiscal years 2011-12 and 2010-11.

Effect of exchange rate changes on cash and cash equivalents

During the first nine months, CCC recorded a foreign exchange translation gain of \$0.1 million as a result of the Canadian dollar's decline compared to its US dollar counterpart, from \$1.0314 USD at March 31, 2011 to \$0.9833 USD at December 31, 2011.

Comparison of Financial Results to the Budget contained in the 2011-12 to 2015-16 Corporate Plan

For the nine-month period ending December 31, 2011, total commercial trading transactions (including procurement services transactions) of \$1,749.6 million were \$103.3 million, or 6%, lower than budget. Commercial trading transactions are lower than budget as a significant proportion of the budget is based on the delivery of work related to new business anticipated to be signed during the year which has not occurred to date due primarily to an increasingly challenging global economy and shifting foreign government priorities.

Fees for service of \$8.1 million were lower than budget by \$1.3 million, or 14%. Fees for service are earned as contract work is delivered or completed. During the first nine-months of fiscal 2011-12, fees for service related to the Cuba Contracting Program business line exceeded budget expectations. Fees for service are lower than budget as a significant portion of the budget is based on fees that are generated from the delivery of work related to new business anticipated to be signed during the year which has not occurred to date as indicated above.

As noted above, CCC recorded a foreign exchange translation gain of \$0.1 million as a result of the Canadian dollar's decline compared to its US dollar counterpart, from \$1.0314 USD at March 31, 2011 to \$0.9833 USD at December 31, 2011. The Corporation controls exchange gains and losses through monitoring and maintaining unhedged foreign currency balances at negligible levels. The Corporation's unhedged US currency balance of \$3.3 million represents 0.4% of its total US assets.

The Corporation recorded a negligible amount of \$52,000 in contract remediation expenses as at December 31, 2011. These amounts are recorded only when actual amounts are or can be determined. Given these favourable results, contract remediation expenses were under budget by \$0.3 million. This reflects the effectiveness of the Corporation's robust risk management practices, including its robust ERM framework and contract management practices.

Administrative expenses of \$19.9 million were \$1.4 million, or 7%, lower than the budgeted amount of \$21.3 million. This result reflects Management's continued control of expenditures relative to revenues earned, while also respecting the spirit of the Government of Canada's cost containment measures set out in Budgets 2010 and 2011.

Fiscal 2011-12 Forecast

During fiscal 2010-11 and continuing into fiscal 2011-12, the Corporation examined and analyzed key processes in delivery of the DPSA business line. Through this analysis, it was determined that a new approach was required in order to optimize expenditures while maximizing the quality of service being provided to clients. Accordingly, CCC is making investments to in-source some of the work currently subcontracted to PWGSC, to CCC. This will require a transition investment of \$2.3 million which will span fiscal years 2011-12 and 2012-13. This new approach will generate almost \$5 million in cost savings for the Corporation over the period of the 2011-12 to 2015-16 Corporate Plan. Accordingly, in June 2011, the Board of Directors directed Management to proceed with the transition. As a result of this transition

investment, CCC initially expected to incur an operating loss of \$0.6 million in 2011-12. However, other savings are now anticipated and CCC has revised its loss forecast to \$0.2 million.

In fiscal 2011-12, revenues, after offsetting the cost of commercial trading transactions, are expected to be \$13.1 million, \$0.1 million, or 1%, lower than the results achieved in fiscal 2010-11. Fees for service are expected to be \$0.6 million lower in fiscal 2011-12 compared to actual results achieved in fiscal 2010-11 as a result of an expected lower level of contractual deliveries in fiscal 2011-12 (upon which fees are recognized). However, the decrease in fees for service will be offset by an expected increase of \$0.2 million in other income, as a result of income earned on increased requests for early payment discounts by Canadian exporters related to the DPSA business line and an expected \$0.3 million increase resulting from a foreign exchange gain due to the weakening of the Canadian dollar during fiscal 2011-12 compared to its US dollar counterpart on exposed U.S. cash balances. Interest income of \$0.3 million is anticipated to be the same as in fiscal 2010-11.

Total expenses are forecast to be \$28.8 million in fiscal 2011-12 compared to the actual total expenses incurred of \$27.2 million in fiscal 2010-11. Contract remediation expenses are expected to be \$0.1 million in fiscal 2011-12, an increase of \$1.1 million as a result of the recovery \$1.0 million that was recorded in fiscal 2010-11 as noted earlier. Administrative expenses are forecast to be \$28.7 million, \$0.5 million, or 2%, greater than the fiscal 2010-11 actual results. This includes an estimated \$0.2 million in DPSA investment transition costs. Amortization expenses will remain relatively consistent with the fiscal 2010-11 amount of \$0.7 million as the Corporation enters its fourth full year of amortizing capitalized costs related to the Enterprise Resource Planning (ERP) system that was implemented in fiscal 2008-09.

The Corporation is to receive parliamentary appropriations of \$15.5 million in fiscal year 2011-12 as noted earlier.

International Financial Reporting Standards (IFRS)

The Corporation determined that IFRS was the most appropriate basis of accounting and has adopted IFRS beginning in fiscal 2011-12. Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are some differences between IFRS and Canadian GAAP. These differences include several accounting policy choices and increased disclosure requirements which are disclosed in the notes to the financial statements of this report, as well as, in the management discussion and analysis section and notes to the financial statements of the previously issued condensed interim statements as of June 30, 2011.

CCC's Commitment to Performance and Risk Management

CCC manages a wide range of risks as it undertakes to fulfill its mandate of promoting and facilitating international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's fiscal 2010-11 Annual Report and 2011-12 Corporate Plan Summary.

The Government of the United States remains at a AAA rating for some rating agencies and as a AA+ by another. These ratings remain within the requirements of CCC's credit policy.

There are no other significant changes, new risks or uncertainties identified during the third quarter as compared to those previously reported or discussed.

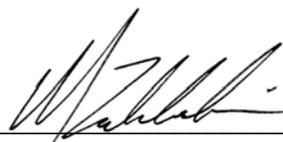
Management Representation

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



Marc Whittingham
President and CEO



Martin Zablocki, B.Com, MBA, CBV, CMA
Vice-President, Risk and Finance, and CFO

Ottawa, Canada
February 16, 2012

Statement of Financial Position (Unaudited)

(in thousands of dollars)	December 31 2011	March 31 2011	April 1 2010
Assets			
Current assets			
Cash and cash equivalents (Note 4)	\$ 96,561	\$ 75,254	\$ 42,982
Accounts receivable (Notes 5 and 9)	268,204	235,029	251,889
Advances to Canadian exporters	135,843	107,887	85,944
Progress payments to Canadian exporters	438,818	226,456	92,101
	939,426	644,626	472,916
Non-current assets			
Property and equipment	1,045	1,115	1,264
Intangible assets	767	1,108	1,661
	1,812	2,223	2,925
	\$ 941,238	\$ 646,849	\$ 475,841
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Notes 5 and 9)	\$ 271,495	\$ 223,187	\$ 236,327
Advances from foreign customers	175,809	142,153	96,550
Progress payments from foreign customers	441,565	229,426	91,625
Short-term employee future benefits (Note 6)	708	708	643
	889,577	595,474	425,145
Non-current liabilities			
Long-term employee future benefits (Note 6)	1,431	1,547	1,484
Provision for contract remediation expenses (Notes 7 and 13)	390	407	1,442
	1,821	1,954	2,926
	891,398	597,428	428,071
Shareholder's Equity			
Contributed surplus	10,000	10,000	10,000
Retained earnings	39,840	39,421	37,770
	49,840	49,421	47,770
	\$ 941,238	\$ 646,849	\$ 475,841

Commitments, contingencies and guarantees (Note 13)

The accompanying notes are an integral part of the financial statements.

Approved:



Marc Whittingham
President and CEO



Martin Zablocki, B.Com, MBA, CBV, CMA
Vice-President, Risk and Finance and CFO

Statement of Comprehensive Income (Unaudited)

(in thousands of dollars)	For the three month period		For the nine month period	
	ended December 31		ended December 31	
	2011	2010	2011	2010
Revenues				
Commercial trading transactions - prime contracts (Note 8)	\$ 661,561	\$ 457,239	\$ 1,714,060	\$ 1,160,836
Less: cost of commercial trading transactions - prime contracts	(661,561)	(457,239)	(1,714,060)	(1,160,836)
Fees for service (Note 8)	2,514	3,759	8,064	9,039
Other income (Note 8)	132	38	361	111
Net interest income	(32)	108	236	242
Gain (loss) on foreign exchange	(97)	(79)	143	(68)
	2,517	3,826	8,804	9,324
Expenses				
Administrative expenses (Note 10)	6,744	7,164	19,944	19,954
Contract remediation expenses (recovery) (Note 13)	44	(1,250)	52	(1,000)
	6,788	5,914	19,996	18,954
International procurement services for government clients				
Procurement services transactions (Note 8)	20,948	\$ 32,423	\$ 35,517	\$ 57,981
Less: cost of procurement services transactions	(20,948)	(32,423)	(35,517)	(57,981)
	-	-	-	-
Net results of operations before Parliamentary appropriations	(4,271)	(2,088)	(11,192)	(9,630)
Parliamentary appropriations (Note 11)	3,870	3,887	11,611	11,662
Net results of operations and comprehensive income	\$ (401)	\$ 1,799	\$ 419	\$ 2,032

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity (Unaudited)

For the three and nine month period ended December 31, 2011

(in thousands of dollars)	Contributed Surplus		Retained Earnings		Total
Balance - October 1, 2011	\$	10,000	\$	40,241	\$ 50,241
Net Income				(401)	(401)
Balance - December 31, 2011	\$	10,000	\$	39,840	\$ 49,840
Balance - April 1, 2011	\$	10,000	\$	39,421	\$ 49,421
Net Income				419	419
Balance - December 31, 2011	\$	10,000	\$	39,840	\$ 49,840

For the three and nine month period ended December 31, 2010

(in thousands of dollars)	Contributed Surplus		Retained Earnings		Total
Balance - October 1, 2010	\$	10,000	\$	38,004	\$ 48,004
Net Income				1,799	1,799
Balance - December 31, 2010	\$	10,000	\$	39,803	\$ 49,803
Balance - April 1, 2010	\$	10,000	\$	37,771	\$ 47,771
Net Income				2,032	2,032
Balance - December 31, 2010	\$	10,000	\$	39,803	\$ 49,803

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows (Unaudited)

(in thousands of dollars)	For the three month period		For the nine month period	
	ended December 31		ended December 31	
	2011	2010	2011	2010
Cash flows from operating activities				
Receipts from foreign customers	\$ 779,580	\$ 582,642	\$ 1,962,197	\$ 1,340,212
Interest received	(32)	108	236	242
Fees for service and other income received	2,646	3,797	8,425	9,150
Payments to Canadian exporters	(752,543)	(509,672)	(1,941,656)	(1,254,944)
Administrative payments	(6,513)	(6,994)	(19,528)	(19,433)
Parliamentary appropriations	3,870	3,887	11,611	11,662
Cash provided by operating activities	27,008	73,768	21,285	86,889
Cash flows from investing activities				
Purchase of property and equipment, and intangible assets	(114)	35	(121)	-
Cash provided by (used in) investing activities	(114)	35	(121)	-
Effect of exchange rate changes on cash and cash equivalents	(97)	(79)	143	(68)
Increase (decrease) in cash and cash equivalents	26,797	73,724	21,307	86,821
Cash and cash equivalents at beginning of period	69,764	56,079	75,254	42,982
Cash and cash equivalents at end of period (Note 4)	\$ 96,561	\$ 129,803	\$ 96,561	\$ 129,803

The accompanying notes are an integral part of the financial statements.

Notes to Unaudited Condensed Interim Financial Statements

December 31, 2011

1. Nature, organization and funding

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* (the "Act") and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*.

The Corporation generally acts as the prime contracting agency when foreign governments, international organizations, or foreign private sector buyers wish to purchase products and services from Canada through the Canadian Government. The Corporation enters into contracts with these foreign customers and into corresponding supply contracts with Canadian exporters. Additionally, the Corporation enters into procurement services agreements to procure goods and services for international end use on behalf of Canadian and foreign governments. The Corporation operates primarily in Canada with additional offices in Asia and representation in the Caribbean.

The Corporation's operations are funded primarily by parliamentary appropriation. This is supplemented by a combination of fees for service, interest income and discounting revenues.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. Basis of preparation

Compliance with IFRS

These condensed interim financial statements have been prepared in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and using the International Financial Reporting Standards ("IFRS") accounting policies the Corporation expects to adopt in its financial statements as at and for the year ending March 31, 2012. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These IFRS condensed interim financial statements represent part of the period covered by the Corporation's first IFRS annual financial statements. The Corporation has elected April 1, 2010 as the date of transition to IFRS (the "transition date"). IFRS 1, First-time Adoption of IFRS ("IFRS 1"), has been applied.

Changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending March 31, 2012 could result in restatement of these condensed interim financial statements, including the transition adjustments recognized with the adoption of IFRS.

These condensed interim financial statements should be read in conjunction with the Corporation's annual financial statements as of March 31, 2011 prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and in consideration of the IFRS transition disclosures included in this report and in the condensed interim financial statements previously issued as of June 30, 2011.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The most significant management estimates are the provision for contract remediation expenses and the liability for employee future benefits. Actual results could differ significantly from those estimates as factors impacting the ability of Canadian exporters to fulfill their contracts change or there are changes in the Corporation's discount rate and rate of compensation increases. Any changes in estimates are reflected in the financial statements in the period in which they become known.

Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar.

3. Significant accounting policies

The significant accounting policies of the Corporation are summarized below. These policies have been consistently applied to all years and periods presented, unless otherwise stated.

(a) Contracts

The Corporation records its **commercial trading transactions** and **procurement services transactions**, and their offsetting costs, when a delivery has taken place thus passing title of the purchased goods to the foreign customer. However, in the case where the contract provides for progress payments, commercial trading transactions and procurement services transactions are recorded upon acceptance by the Corporation of the work performed. Commercial trading transactions related to prime contracts are included in **revenues**, and procurement services transactions, whereby the Corporation acts as an agent for another government or government department, are shown on a net basis under **international procurement services for government clients**.

Fees for service from commercial trading transactions related to prime contracts and international procurement services agreements, and fees from other international and domestic activities are recognized in **revenues** when services are rendered.

Progress payments from foreign customers and **progress payments to Canadian exporters**, when required, represent payments on a percentage-of-completion basis associated with the work performed on a contract leading up to delivery. Usually these payments are restricted to 75 percent of costs incurred. Since title has not yet passed to foreign customers, the Corporation recognizes the progress payments made to Canadian exporters as an asset and the progress payments received from foreign customers as a liability. Progress payment assets and liabilities are reduced upon completion of delivery and acceptance by the foreign customer.

Advances from foreign customers and **advances to Canadian exporters** represent a down payment made at the outset of the contract before any work has been performed. The Corporation recognizes the advances made to Canadian exporters as an asset and the advances received from foreign customers as a liability. Advances made and received are reduced upon completion of delivery and acceptance by the foreign customer.

Other income is comprised mostly of income from discounting revenues related to advance payments. The Corporation offers, in certain circumstances, early payment on amounts owing to Canadian exporters in exchange for a fee. This discounting revenue is determined by applying a set percentage ranging from 0.03%, for one day of advance payment, to 1.32%, for forty days of advance payment. Discounting revenues are recognized as other income when the services are provided to the Canadian exporters.

Finally, for commercial trading transactions related to prime contracts, the Corporation is responsible for ensuring that the terms of the contract with the foreign customer are fulfilled regardless of the quality of performance by the Canadian exporter. If the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation, the Corporation may encounter contract remediation expenses. These costs and the associated provision are determined on a contract-by-contract basis, and include completion, re-procurement, associated legal and other costs that are based on quotes or estimates. **Contract remediation expenses** are recorded in the Statement of Comprehensive Income in the period in which the non-performance is identified by the Corporation as probable and the amounts are reasonably determinable.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end exchange rates. Revenues and expenses are translated at the average monthly exchange rate. Any gains or losses on foreign currencies are recorded as a gain or loss on foreign exchange on the Statement of Comprehensive Income.

(c) Financial instruments

The term “financial instrument” is defined as any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

i) Derivative financial instruments

The Corporation may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Corporation does not use derivative financial instruments for speculative purposes. As the Corporation does not account for these forward contracts using hedge accounting, these instruments are classified as held-for-trading, and measured at fair value using quoted forward prices with changes recognized in net income in the period in which they occur as a gain or loss on foreign exchange on the Statement of Comprehensive Income. Derivatives are recognized as either an asset in accounts receivable, or as a liability in accounts payable and accrued liabilities on the Statement of Financial Position.

The Corporation enters into certain non-financial instrument contracts which contain embedded foreign currency derivatives. Where these contracts are not leveraged, do not contain an option feature, and are denominated in a currency in which any substantial party to that contract measures the items in its financial statements, or in a currency that is commonly used in the economic environment where the transaction takes place, the embedded derivatives are not separated from the host contract.

The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

ii) Determination of fair value

All financial instruments are initially included on the Statement of Financial Position and are measured at fair value. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using observable market data based on a three level hierarchy as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates fair value based on level 1 inputs due to the relatively short-term nature of these financial instruments.

(d) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and temporary investments, maturing in less than three months from acquisition date and are recorded at fair value based on the transaction price on the trade date. All interest income, gains and losses are recognized in net interest income in the period in which they arise. The Corporation has designated its cash and cash equivalents as held-for-trading since they can be reliably measured at fair value due to their short term to maturity. The changes in fair value of cash and cash equivalents are recognized in the period incurred as a gain or loss on foreign exchange on the Statement of Comprehensive Income.

(e) Accounts receivable

Accounts receivable are classified as loans and receivables and measured at amortized cost using the effective interest rate method. The Corporation does not establish an allowance for doubtful accounts since it has contractual recourse, in all material respects, whereby the Canadian exporter assumes the risk of non-payment from the foreign buyer.

(f) Accounts payable and accrued liabilities, and provision for contract remediation expenses

Accounts payable and accrued liabilities, and the provision for contract remediation expenses are classified as other financial liabilities and carried at amortized cost using the effective interest rate method.

(g) Property and equipment and intangible assets

Property and equipment includes costs associated with information systems hardware and operating systems, and leasehold improvements. Information systems hardware and operating systems are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the useful life and the remaining term of the lease agreement.

Intangible assets include costs associated with information systems software and related initial set-up and configuration costs. These costs are amortized, after technological feasibility is established, on a straight-line basis over the estimated useful life of five years.

(h) Parliamentary appropriations

Parliamentary appropriations that are not in the nature of contributed surplus are recorded as funding in the year for which they are appropriated, except for appropriations restricted by legislation and related to expenses of future periods which are deferred and recognized as funding in the period in which the related expenses are incurred. Appropriations used for the purchase of property and equipment are deferred and amortized into income on the same basis as the related asset.

(i) Interest income

Interest income is recorded on an accrual basis and represents interest earned on cash balances and investments held throughout the year, and interest charged to customers related to late payments.

(j) Employee future benefits

i) Pension benefits

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) Employee severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on services. The valuation of the liability is based upon a current market-related discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by this plan as of March 31, 2011 was 14 years (March 31, 2010 – 14 years).

An update of the actuarial valuation was performed at March 31, 2011. The last full actuarial valuation was performed March 31, 2010 and the next full actuarial valuation is scheduled for March 31, 2012.

iii) Employee sick leave benefits

Employees are entitled to non-vested sick leave benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The actuarial valuation of the liability is based on assumptions which represent management's best estimates of factors used to determine the liability.

iv) Other employee benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Corporation's Dental Plan are the two major plans available to employees and retirees of the Corporation. The Corporation's responsibility with regard to these two plans is limited to its contributions, which are recorded in the Statement of Comprehensive Income.

(k) Impairment

i) Impairment of financial assets

For financial assets that are not classified as fair value through net income, the Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. Once impaired, financial assets carried at amortized cost are re-valued at net recoverable amount with the amount of the impairment recognized in net income. Unrealized losses on impaired available-for-sale financial assets are recognized in net income at the time of impairment. Financial assets carried at amortized cost are measured at net recoverable amount.

ii) Impairment of non-financial assets

Non-financial assets, including property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount.

(l) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably as at the Statement of Financial Position date, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Future accounting changes

International Financial Reporting Standards

IFRS 9

IFRS 9 Financial instruments ("IFRS 9") as issued in November 2009 and revised in October 2010, and the related consequential amendments, will replace International Accounting Standard 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 relates to the recognition and derecognition and measurement of financial assets and financial liabilities.

IFRS 9 eliminates the existing financial asset categories and requires all financial assets to be classified on initial recognition either at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Gains and losses on financial assets measured at fair value will be recognized through net income with the exception of equity investments not held for trading for which gains or losses will be recognized directly in equity.

The new standard also requires the use of a single impairment method for financial assets based on expected losses and incurred losses, replacing the multiple impairment methods in IAS 39.

IFRS 9 requires all financial liabilities not designated at fair value through net income to be subsequently measured at amortized cost using the effective interest method.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, although early adoption is permitted. The Corporation is currently evaluating the impact of IFRS 9 on its financial statements, and will continue to do so during the remaining stages of this project.

4. Cash and cash equivalents

Cash and cash equivalents included:

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
	Original currency	Canadian dollars	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	59,146	\$ 60,151	35,729	\$ 34,643	19,256	\$ 19,561
Canadian dollars	35,747	35,747	39,808	39,808	22,132	22,132
Euros	273	360	424	584	847	1,163
Chinese renminbi	1,015	164	575	85	61	2
Australian dollars	133	139	133	134	133	124
		\$ 96,561		\$ 75,254		\$ 42,982

The Corporation invests in short-term deposits in Canadian banks. At December 31, 2011, the average term to maturity of short-term deposits was nil days (March 31, 2011 - 1 day, April 1, 2010 – 1 day) and the portfolio yield to maturity as of December 31, 2011 was nil % (March 31, 2011 - 0.08%, April 1, 2010 – 0.04%).

Of the cash and cash equivalents, \$41,217,000 as of December 31, 2011 (March 31, 2011 - \$35,463,000, April 1, 2010 - \$11,497,000) represents advances and holdbacks received from foreign customers which will be remitted to Canadian exporters at later dates in accordance with contracts. Where contracted, these funds may accrue interest to the credit of the Canadian exporter or foreign customer.

5. Accounts receivable and accounts payable and accrued liabilities

Accounts receivable are based on normal international trade terms and are generally non-interest bearing. The currency profile of the Corporation's accounts receivable was as follows:

(in thousands)	December 31 2011		March 31, 2011		April 1, 2010	
	Original currency	Canadian dollars	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	177,379	\$ 180,394	153,403	\$ 148,739	136,903	\$ 139,066
Canadian dollars	87,291	87,291	85,391	85,391	103,065	103,065
Malaysian ringgit	1,610	516	2,735	878	-	-
Australian dollars	4	5	5	5	5	5
Chinese renminbi	(22)	(2)	113	16	47	7
Euros	-	-	-	-	7,095	9,746
		\$ 268,204		\$ 235,029		\$ 251,889

Accounts payable and accrued liabilities are due on normal trade terms. The currency profile of the Corporation's accounts payable and accrued liabilities was as follows:

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
	Original currency	Canadian dollars	Original currency	Canadian dollars	Original currency	Canadian dollars
U.S. dollars	208,801	\$ 212,351	169,579	\$ 164,423	148,632	\$ 150,979
Canadian dollars	58,443	58,443	57,136	57,136	74,465	74,465
Malaysian ringgit	1,562	501	2,653	852	-	-
Australian dollars	138	144	138	139	138	129
Chinese renminbi	344	56	433	65	-	-
Euros	-	-	415	572	7,828	10,753
Indian rupee	-	-	-	-	53	1
		\$ 271,495		\$ 223,187		\$ 236,327

6. Employee future benefits

(a) Employee severance benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations.

Information about the plan, measured from April 1, 2010 (the date of transition) to March 31, 2011 is as follows:

(in thousands)

Accrued benefit obligation	
Accrued benefit obligation - April 1, 2010	\$ 1,484
Current service cost	159
Interest cost	80
Benefits paid	(1)
Actuarial loss	96
Accrued benefit obligation - March 31, 2011	\$ 1,818
Unamortized net actuarial losses	(271)
Accrued employee future benefits - March 31, 2011	\$ 1,547

Assumptions

Accrued benefit obligation as of March 31, 2011

Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%

Benefit costs for year ended March 31, 2011

Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%

Seniority and promotional salary increase assumptions are also considered in the actuarial valuation of accrued employee future benefits.

The liability for long-term employee future benefits was reduced by \$116,000 as of December 31, 2011 as a result of the departure of employees, leaving a balance of \$1,431,000 as of December 31, 2011 (March 31, 2011 - \$1,547,000, April 1, 2010 - \$1,484,000).

(b) Employee sick leave benefits

The Corporation provides non-vested sick leave benefits to its employees, as provided for under labour contracts and conditions of employment. This benefit plan is unfunded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations.

Information about the plan, measured from April 1, 2010 (the date of transition) to March 31, 2011 is as follows:

(in thousands)

Accrued benefit obligation	
Accrued benefit obligation - April 1, 2010	\$ 643
Current service cost	272
Interest cost	34
Benefits paid	(241)
Actuarial loss	39
Accrued benefit obligation - March 31, 2011	\$ 747
Unamortized net actuarial losses	(39)
Accrued employee future benefits - March 31, 2011	\$ 708

Assumptions

Accrued benefit obligation as of March 31, 2011

Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%

Benefit costs for year ended March 31, 2011

Discount rate	5.10%
Rate of economic salary increase	
Management	1.50%
Non management	1.50%

Seniority and promotional salary increase assumptions are also considered in the actuarial valuation of accrued employee future benefits.

7. Capital management

The objective of the Corporation is to preserve and strengthen its capital base through prudent risk management and through the implementation of strategies to optimize operating surpluses. Capital is required to facilitate investments and to mitigate any potential losses, (including both expected and unexpected losses) related to operational, supplier performance and credit risk. Capital management strategies include minimizing contract remediation expenses; pacing growth in operating expenses commensurate with growth in revenues; minimizing foreign exchange exposure; attaining appropriation

funding for collective bargaining salary increases and increases in Defence Production Sharing Agreement (DPSA) activities and service offerings related to public policy; and optimizing interest income.

The Corporation is not subject to externally imposed capital requirements. The Corporation's breakdown of supply of capital is as follows:

(in thousands)	December 31, 2011	March 31, 2011	April 1, 2010
Contributed surplus	\$ 10,000	\$ 10,000	\$ 10,000
Retained earnings	39,840	39,421	37,770
Provision for contract remediation expenses	390	407	1,442
	\$ 50,230	\$ 49,828	\$ 49,212

8. Commercial trading transactions, fees for service, other income and procurement services transactions

The Corporation facilitates sales of Canadian goods to foreign customers including governments, international agencies and other buyers and receives revenues from commercial trading transactions related to prime contracts, fees for service and other income. The Corporation also engages in procurement services transactions related to international procurement services for government clients. The profile by geographic region is as follows:

For the three month period ended December 31 (in thousands)	2011			2010		
	Revenues	International procurement services	Total	Revenues	International procurement services	Total
United States	\$ 596,417	\$ -	\$ 596,417	\$ 416,248	\$ 838	\$ 417,086
South America	33,027	-	33,027	983	-	983
Central America & Caribbean	19,879	422	20,301	18,361	2,128	20,489
Europe	208	14,735	14,943	(4,416)	22,079	17,663
Africa	12,555	124	12,679	26,668	1,231	27,899
Canada	509	4,590	5,099	456	-	456
Asia	1,612	1,077	2,689	2,736	6,147	8,883
	\$ 664,207	\$ 20,948	\$ 685,155	\$ 461,036	\$ 32,423	\$ 493,459

For the nine month period ended December 31 (in thousands)	2011			2010		
	Revenues	International procurement services	Total	Revenues	International procurement services	Total
United States	\$ 1,524,971	\$ 2,598	\$ 1,527,569	\$ 1,040,384	\$ 1,585	\$ 1,041,969
South America	94,167	-	94,167	5,455	-	5,455
Central America & Caribbean	53,891	1,349	55,240	35,939	4,381	40,320
Africa	42,320	502	42,822	88,584	4,489	93,073
Europe	336	20,776	21,112	(4,084)	39,691	35,607
Canada	1,422	7,722	9,144	(721)	-	(721)
Asia	4,468	2,570	7,038	4,367	7,835	12,202
Other	910	-	910	62	-	62
	\$ 1,722,485	\$ 35,517	\$ 1,758,002	\$ 1,169,986	\$ 57,981	\$ 1,227,967

Value of contracts signed is distinct from revenues. Value of contracts signed describes the value of contracts and amendments signed and effective which amounted to \$1,432 million as of December 31, 2011 (December 31, 2010 - \$2,395 million).

9. Risk management and financial instruments

The Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments. The Board of Directors has responsibility for the oversight of the Corporation's risk management framework and the review, approval and monitoring the Corporation's risk management policies including the development of an Enterprise Risk Management program which involves establishing corporate risk tolerance, identifying and measuring the impact of various risks and developing risk management action plans to mitigate risks that exceed corporate risk tolerance.

The following is a description of risks associated with financial instruments and how the Corporation manages its risk exposure.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from the Corporation's cash and cash equivalents and receivables from customers. The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk.

Cash and cash equivalents

The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation's exposure to credit risk from investing cash and cash equivalents is minimized through compliance with the Corporation's investment policy which includes approved investment instruments and portfolio limits. The Corporation invests cash and cash equivalents in highly liquid temporary deposits with a Canadian chartered bank.

Investments must maintain credit ratings at or above thresholds identified from at least two of the agencies listed below:

Moody's rating of P1

Standard and Poor's (S&P) rating of A1

Dominion Bond Rating Service (DBRS) rating of R1 (low)

Accounts receivable

The Corporation's exposure to credit risk associated with accounts receivable is influenced mainly by the demographics of the Corporation's customer base. The Corporation generally manages foreign customer credit risk by extending open account terms to parties with a Moody's credit rating of at least AAA, and seeks security where the rating falls below this threshold. As at December 31, 2011 89.21%, (March 31, 2011 - 89.25%, April 1, 2010 - 84.68%) of the Corporation's revenues were from AAA customers.

The maximum exposure to credit risk for accounts receivable by geographic region was as follows:

(in thousands)	December 31, 2011	March 31, 2011	April 1, 2010
United States	\$ 159,756	\$ 150,386	\$ 111,104
Central America and Caribbean	73,340	67,299	73,814
South America	15,202	6,083	31,666
Africa	12,539	131	15,361
Canada	4,628	7,824	4,308
Asia	2,165	2,395	1,567
Europe	562	899	13,603
Other	12	12	466
	\$ 268,204	\$ 235,029	\$ 251,889

Accounts receivable are based on normal international trade terms and are generally non-interest bearing.

The maturity profile of the Corporation's accounts receivable was as follows:

(in thousands)	December 31, 2011	March 31, 2011	April 1, 2010
< 1 year	\$ 266,259	\$ 228,739	\$ 244,824
> 1 and < 3 years	1,945	6,290	7,065
	\$ 268,204	\$ 235,029	\$ 251,889

Accounts receivable are considered past due when the payor has failed to make the payment by the contractual due date. The aging profile of the Corporation's past due accounts receivable was as follows:

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
< 30 days	\$	49,382	\$	23,693	\$	16,543
> 30 days and < 180 days		17,261		3,757		24,897
> 180 days		5,530		3,445		10,594
	\$	72,173	\$	30,895	\$	52,034

Collateral

With respect to managing credit risk related to its outstanding contractual obligations, the Corporation has contractual recourse that consists, in all material respects, of back to back contractual obligations against Canadian exporters in the same amount. In addition, in order to further mitigate its overall credit risk exposure, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

The profile of the Corporation's total collateral held with respect to its contractual obligations in the unlikely event of contractual non-performance by Canadian companies, was as follows:

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
Holdbacks	\$	1,252	\$	1,197	\$	891
Bank guarantees	\$	50,342	\$	52,766	\$	62,802
Surety bonds	\$	114,360	\$	109,030	\$	114,986
Parent guarantees	\$	470,661	\$	542,904	\$	479,941
Other	\$	12,636	\$	10,201	\$	281

The above amounts approximate the fair values of collateral held.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is not exposed to significant other price risk.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To address foreign exchange risks, contracts with foreign customers and corresponding contracts with Canadian exporters are generally transacted in the same currency. The Corporation uses this strategy to effectively transfer the currency risk to the Canadian exporter resulting in minimal net exposure.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to fair-value interest rate risk arises from investing cash and cash equivalents. The risks associated with fluctuations in interest rates are minimized by investing in highly liquid temporary deposits with a Canadian chartered bank.

Under a specific series of financing contracts, included in accounts payable and accrued liabilities the Corporation owed \$23,303,000 as of December 31, 2011 (March 31, 2011 - \$27,619,000, April 1, 2010 - \$42,868,000) of which \$20,048,000 as of December 31, 2011 (March 31, 2011 - \$22,415,000, April 1, 2010 - \$32,405,000) bears interest at the cost of funds plus 0.20%.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk related to cash and cash equivalents is minimized through compliance with the Corporation's investment policy whereby cash and cash equivalents are invested in highly liquid temporary deposits with a Canadian chartered bank.

With respect to outstanding contractual obligations, the Corporation has contractual recourse that consists of, in all material respects, back to back contractual obligations against Canadian exporters in the same amount. In addition, in order to further mitigate its overall liquidity risk exposure, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

The *Canadian Commercial Corporation Act* permits the Corporation to borrow from the Consolidated Revenue Fund or enter into other credit arrangements or indemnities from other sources for an amount not to exceed \$90 million:

- i) The Corporation has a revolving credit facility providing access to funds in the amount of \$40,000,000 Canadian or its U.S. dollar equivalent. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at December 31, 2011, there were no draws on this line of credit (March 31, 2011– nil, April 1, 2010 - nil).

- ii) The Corporation enters into discounting arrangements with recourse with a financial institution, up to a maximum of \$15,000,000 as of December 31, 2011 (March 31, 2011 - \$15,000,000, April 1, 2010 - \$15,000,000) to support its trade financing program.

In addition, the Corporation enters into further credit arrangements up to a maximum of \$25,000,000 as of December 31, 2011 (March 31, 2011 - \$25,000,000, April 1, 2010 - \$25,000,000) where transactions are fully insured by a related Crown corporation with a Moody's credit rating of AAA, thereby mitigating all liquidity risk related to its trade financing program.

Accounts payable and accrued liabilities

Accounts payable are due on normal trade terms. The maturity profile of the Corporation's accounts payable was as follows:

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
< 1 year	\$	271,419	\$	222,732	\$	235,670
> 1 and < 3 years		76		455		657
	\$	271,495	\$	223,187	\$	236,327

Under a specific series of financing contracts related to the Corporation's trade financing program, included in accounts payable and accrued liabilities, the Corporation owed \$23,303,000 as of December 31, 2011 (March 31, 2011 - \$27,619,000, April 1, 2010 - \$42,868,000) of which \$20,048,000 as of December 31, 2011 (March 31, 2011 - \$22,415,000, April 1, 2010 - \$32,405,000) bears interest at the cost of funds plus 0.20% and the Corporation has offered as security certain foreign accounts receivable under certain conditions. The Corporation, however, also has access to a number of commercial securities, should the foreign party fail to repay these receivables. The amount of outstanding accounts receivable pledged as securities under these arrangements was \$53,704,000 as of December 31, 2011 (March 31, 2011 - \$67,378,000, April 1, 2010 - \$74,879,000) and was profiled as follows:

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
< 1 year	\$	53,704	\$	61,484	\$	67,814
> 1 and < 3 years	\$	-	\$	5,894	\$	7,065

10. Administrative expenses

Administrative expenses included the following:

(in thousands)	For the three month period ended December 31		For the nine month period ended December 31	
	2011	2010	2011	2010
Workforce compensation and related expenses	\$ 3,890	\$ 3,833	\$ 11,577	\$ 11,256
Contract management services	1,165	1,400	3,212	3,300
Rent and related expenses	600	540	1,653	1,467
Consultants	301	419	1,148	1,184
Travel and hospitality	365	383	909	858
Amortization	180	170	532	521
Software, hardware and support	45	165	336	650
Corporate communications	10	6	97	94
Other expenses	188	248	480	624
	\$ 6,744	\$ 7,164	\$ 19,944	\$ 19,954

11. Parliamentary appropriations

Appropriations authorized by the Parliament of Canada are included in income for the three months ended December 31, 2011 in the amount of \$3,870,000 (December 31, 2010 - \$3,887,000) and for the nine months ended December 31, 2011 in the amount of \$11,611,000 (December 31, 2010 - \$11,662,000).

12. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and are measured at the exchange amount. Relationships exist between the Corporation and government related entities whereby no transactions have occurred. These relationships have not been disclosed as permitted by the partial exemption available to wholly owned government entities in International Accounting Standard 24 – Related Parties (“IAS 24”).

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management and other administrative services to the Corporation at negotiated rates, based in part on the amount of contracts procured, and provides certain functions at cost.

The cost of these services amounted to \$1,199,000 for the three months ended December 31, 2011 (December 31, 2010 - \$1,433,000) and \$3,311,000 for the nine months ended December 31, 2011 (December 31, 2010 - \$3,397,000) and is included in administrative expenses.

(b) PPP Canada Inc.

The Corporation has a Memorandum of Understanding with PPP Canada Inc. for the provision of shared services primarily in the areas of information technology, human resource management, finance and procurement, legal services, research and communications, governance and facilities management. This arrangement generates savings through economies of scale for both organizations.

Revenues related to the provision of these services amounted to \$187,500 for the three months ended December 31, 2011 (December 31, 2010 - \$187,500) and \$562,500 for the nine months ended December 31, 2011 (December 31, 2010 - \$562,500) and are included in fees for service.

(c) Other

Commercial trading transactions, fees for service, and procurement services transactions, arising from the Corporation's facilitation of sales of Canadian goods to foreign customers, and other international activities include the following transactions with related government entities.

For the three months ended December 31

(in thousands)	2011		2010	
Canadian International Development Agency	\$	-	\$	938
Department of Foreign Affairs and International Trade	\$	1,414	\$	9,600
Department of National Defence	\$	4,446	\$	1,000

For the nine months ended December 31

(in thousands)	2011		2010	
Canadian International Development Agency	\$	3,233	\$	1,773
Department of Foreign Affairs and International Trade	\$	2,787	\$	14,947
Department of National Defence	\$	7,572	\$	1,000

The Corporation also participates in employee interchange programs with the following departments or agencies: Canada Public Service Agency, Department of Foreign Affairs and International Trade, Department of National Defence, Export Development Canada, and Public Works and Government Services Canada.

As a result of all related party transactions, the amounts due from and to these parties included in accounts receivable and accounts payable respectively were as follows,

(in thousands)	December 31, 2011		March 31, 2011		April 1, 2010	
Accounts receivable	\$	4,035	\$	6,135	\$	3,585
Accounts payable	\$	4,980	\$	2,739	\$	930

13. Contingencies and Guarantees

The Corporation may incur contract remediation expenses should Canadian exporters fail to fulfill the terms of their contracts. The Corporation is the claimant or defendant in certain pending claims and lawsuits. While the damages being claimed by the plaintiffs can be significant, management has, based on advice from legal counsel, recorded in the period a liability when damages are considered likely and the associated costs can be reasonably estimated. The Corporation incurred contract remediation expenses for the three months ended December 31, 2011 of \$44,000 (December 31, 2010 – (\$1,250,000)) and for the nine months ended December 31, 2011 - \$52,000 (December 31, 2010 – (\$1,000,000)), leaving a balance of \$390,000 as of December 31, 2011 (March 31, 2011 - \$407,000, April 1, 2010 - \$1,442,000), representing management's best estimate of the additional costs which will likely be incurred by the Corporation to meet its contractual obligations.

As prime contractor, the Corporation is contractually obligated to complete numerous contracts with foreign customers ensuring that the terms of the contract are fulfilled regardless of the quality of performance by the Canadian exporter. The Corporation also engages in the fulfilment of contractual obligations related to international procurement services for government clients. The total prime and procurement services contract portfolio value remaining to be fulfilled approximates \$3.6 billion as of December 31, 2011 (March 31, 2011 - \$3.6 billion, April 1, 2010 - \$2.7 billion).

The profile of the Corporation's total contract portfolio was as follows:

(in thousands)	December 31, 2011	March 31, 2011	April 1, 2010
< 1 year	\$ 1,868,736	\$ 1,602,730	\$ 1,361,783
> 1 and < 3 years	\$ 1,665,656	\$ 1,895,621	\$ 1,030,167
> 3 and < 5 years	\$ 48,968	\$ 60,544	\$ 323,811
> 5 years	\$ -	\$ 3,787	\$ 2,470

The total contract portfolio remaining to be fulfilled, in addition to the provision for contract remediation expenses provided for in the Statement of Financial Position, represents the Corporation's maximum contractual obligations and is estimated to be \$3,583,750,000 as of December 31, 2011 (March 31, 2011 - \$3,563,089,000, April 1, 2010 - \$2,719,673,000).

14. Transition to International Financial Reporting Standards.

The Corporation adopted IFRS on April 1, 2011 with a date of transition effective April 1, 2010. Prior to the adoption of IFRS the Corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The first annual financial statements issued by the Corporation that will comply with IFRS will be those issued for the year ending March 31, 2012. Accordingly, the Corporation will make an unreserved statement of compliance with IFRS beginning with its 2012 fiscal annual financial statements. The Corporation has prepared its opening IFRS Statement of Financial Position as of the transition date of April 1, 2010.

These financial statements have been prepared in accordance with the accounting policies described in Note 3 and in accordance with the requirements of IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), which is applicable upon first-time adoption of IFRS. IFRS 1 requires that the same policies are applied for all periods presented and that those policies are based on IFRS effective at the end of the first IFRS year-end, or March 31, 2012 for the Corporation.

The Corporation will ultimately prepare its opening Statement of Financial Position by applying existing IFRS with an effective date of March 31, 2012, or earlier. Accordingly, it is possible that the opening Statement of Financial Position and financial statements for fiscal 2011 and 2012 may differ from the information presented in these interim financial statements.

In preparing the opening IFRS *Statement of Financial Position*, the Corporation has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's financial position and comprehensive income is explained in the following tables and the notes accompanying the tables. Additional reconciliations and information explaining the effect of the transition to IFRS has been disclosed in the previously issued condensed interim statements as of June 30, 2011.

Reconciliation of Financial Position and Equity as at December 31, 2010

(in thousands of dollars)	Effect of		
	Canadian	transition to	IFRS
	GAAP	IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$ 129,803	\$ -	\$ 129,803
Accounts receivable	222,811	-	222,811
Advances to Canadian exporters	93,418	-	93,418
Progress payments to Canadian exporters	152,942	-	152,942
	<u>598,974</u>	-	<u>598,974</u>
Non-current assets			
Property and equipment	1,158	-	1,158
Intangible assets	1,246	-	1,246
	<u>2,404</u>	-	<u>2,404</u>
	<u>\$ 601,378</u>	<u>\$ -</u>	<u>\$ 601,378</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 268,550	\$ -	\$ 268,550
Advances from foreign customers	125,283	-	125,283
Progress payments from foreign customers	155,208	-	155,208
Short-term employee future benefits	-	643	643
	<u>549,041</u>	<u>643</u>	<u>549,684</u>
Non-current liabilities			
Long-term employee future benefits	1,308	176	1,484
Provision for contract remediation expenses	407	-	407
	<u>1,715</u>	<u>176</u>	<u>1,891</u>
	<u>550,756</u>	<u>819</u>	<u>551,575</u>
Shareholder's Equity			
Contributed surplus	10,000	-	10,000
Retained earnings	40,622	(819)	39,803
	<u>50,622</u>	<u>(819)</u>	<u>49,803</u>
	<u>\$ 601,378</u>	<u>\$ -</u>	<u>\$ 601,378</u>

Net results of operations and comprehensive income as reported under Canadian GAAP and IFRS

There were no changes to the net results of operations and comprehensive income for the three or nine month period ended December 31, 2010 as a result of the conversion to IFRS from Canadian GAAP.

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Corporation's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as of December 31, 2010.

(in thousands)	Contributed Surplus	Retained Earnings	Total Equity
As reported under Canadian GAAP - December 31, 2010	\$ 10,000	\$ 40,622	\$ 50,622
Differences increasing (decreasing) reported amounts:			
Short-term employee future benefits		(643)	(643)
Long-term employee future benefits		(176)	(176)
As reported under IFRS - December 31, 2010	\$ 10,000	\$ 39,803	\$ 49,803

Cash flow statement as reported under Canadian GAAP and IFRS

There were no changes to the cash flow statement for the three or nine month period ended December 31, 2010 as a result of the conversion to IFRS from Canadian GAAP.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.